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CPAs and Advisors

Starting a Small Business

By: Kristin E. Beres, CPA

Do you have the Entrepreneurship Bug? Entrepreneurship offers many rewards, but you must be prepared. Success can be yours if you are willing to work hard and take the necessary steps. Some possible indicators that you are ready to enter the world of small business ownership are:

- You have significant expertise in your chosen industry
- You are knowledgeable in how to manage a small business
- Your planned business fills a specific market need
- You know your target market



If you have ideas about how to start and run your new business, take the time to prepare a written business plan. It will help to define your business, identify your goals and serve as a roadmap for operating your business. This process should better prepare you for issues that you may not have anticipated. A well written business plan can open doors of opportunity by making a good impression on its readers (for example, a loan officer) and help you achieve your goals and objectives.

One of your first business decisions will be to choose a business structure. The type of business form or structure you choose can impact your taxes, liability, ownership succession, and various other areas. A trusted advisor can help you make the decision about whether you should structure as a sole proprietorship, partnership, corporation, or limited liability company.

Have you thought about how you are going to finance your business? A vital part of starting a successful business and ensuring you stay in business is raising

sufficient capital. If you don't have enough personal or family savings to start your business, there are equity financing and debt financing options. Most small businesses either obtain a loan from a bank or have a few non-professional investors such as family, friends, or employees become partial owners.



Naming your business is a serious matter. The right business name distinguishes you from your competitors. Research the legal requirements and implications of business names or seek advice from an attorney. Once you have a list of legally acceptable names run a search through your state's Secretary of State Office and the U.S. Patent and Trademark Office to make sure it isn't already in use. If you intend to have a website for your business you'll also want to coordinate this with a search for domain names.

Licenses and permits are almost always a reality for any business. Regulations can vary by industry, state and locality so it is important to understand the rules where your business will be located. Most businesses must apply for a Federal Employer Identification Number. The best place to look for information regarding Federal Identification Numbers is at the IRS website www.irs.gov. Your state's taxing authority may require a variety of licenses and permits including separate identification numbers for payroll tax withholding, unemployment taxes and sales tax. If you plan to hire employees or pay yourself a salary, this is an extremely important step.

If your business centers on a new product or idea that you've developed or invented, it's important to protect these innovations as they are valuable assets of the business. For more information regarding copyrights, patents and trademarks go to www.copyright.gov or obtain advice from an attorney.

Unless you possess the knowledge and expertise associated with the financial and legal aspects of managing a business, you will need to build trusted relationships with professionals in these areas to help guide you along the path to success. There are plenty of reasons not to start your own business, but if you prepare adequately and use the right tools and resources, the advantages of business ownership far outweigh the risks. For more information and guidance on starting a small business and managing one thereafter, Scribner Cohen and Company has the professionals to help you.

Compilations, Reviews and Audits

By: Mary Hintz, CPA, MST



Accounting is one of the most important aspects of operating a business. Financial statements provide a management tool to aid you in making the important decisions that affect your company. When Scribner, Cohen and Company prepares or assists in preparing a financial statement, we follow standards and procedures as prescribed by our profession.

The type of financial statement to be issued usually depends on many factors such as the needs of the client, the needs of any creditors or lenders, or the size or type of the business. In all cases, management or business owners have primary responsibility for information included in financial statements.

The following is a brief comparison of the various levels of attestation services provided:

COMPILATION

Compiled financial statements are the lowest level of service provided by CPAs with respect to financial statements. The CPA does not verify or perform any procedures to the financial records. The primary focus is to organize the financial records into an acceptable financial statement format. The CPA then reviews the financial statements for reasonableness based on their understanding of the business and its industry. The intended use of compiled financial statements is primarily for owner-managers and local banks providing financing.

REVIEW

In a financial statement review the accountant performs inquiry and analytical procedures and obtains a written representation from management in addition to the procedures performed for a compilation. Reviewed financial statements are often prepared for

businesses that have bank loans or other outside creditors.

Upon completion, a report is issued stating that the CPA performed a review in accordance with professional standards, that a review is less in scope than an audit and that the CPA did not become aware of any changes that should be made in order for the statements to be in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

AUDIT

Audited financial statements are the highest level of assurance provided by a CPA firm. In a financial statement audit the accountant gathers competent evidential matter that supports amounts and disclosures in the financial statements and documents management's financial processes and controls in addition to performing the required steps for a review engagement. An audit engagement for a nonpublic company may be performed because of requirements by lenders for financing arrangements or for state and federal funding compliance. An audit engagement is required for publicly traded companies.

Upon completion, the audit report states that an audit was performed in accordance with generally accepted auditing standards and expresses an opinion about whether financial statements have been prepared in accordance with GAAP and are free of material misstatement. In an audit report the accountant provides reasonable (but not absolute) assurance as to the fairness of a company's financial statements, which were prepared by management to represent the financial performance and financial condition of the company.



As you can see, the procedures required to be performed by the accountant increases as the level of assurance increases. A growing business may find that these services are necessary to receive financing from local banks or to evaluate financial performance on an ongoing basis. For more information on these services please contact our team of professionals.

By the Numbers is published by Scribner Cohen and Co., S.C. as a source of information for clients and business associates. This information is of a technical nature and professional advice should be sought before implementing specific ideas. Please call for more information or if you have any other questions.